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For action

Private sector division work plan and proposed budget for 1999

Summary

The Executive Director is presenting the Private Sector Division (PSD) work plan and proposed budget for 1999.

In 1999, PSD plans to generate $195.5 million in net consolidated income for general resources. In addition, $115.7 million are projected to be raised from private sector fund-raising activities for supplementary funds. This will be achieved with expenditures of $88.8 million, $2.6 million or 3.0 per cent more than the 1998 latest estimates.

The formal decision to be made on the basis of the present document is the adoption of the draft resolution relating to the budget proposal contained in paragraph 46.

* E/ICEF/1999/2.

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I. Overview

A. Introduction

1. The year 1998 was a challenging period for the Private Sector Division (PSD), having begun the year with the Board-approved restructuring of the entire division, both at headquarters locations and at offices in the field (E/ICEF/1998/6/Rev.1, decision 1998/5). Recruitment for the posts in the PSD structure approved by the Executive Board in the same decision is in progress. It is anticipated that most staff will be in place by 31 December 1998.

2. In addition to the movement and recruitment of staff, there have been changes in the field structure of PSD. The regional support centre in Rio de Janeiro was moved to Santa Fé de Bogotá, where UNICEF already has its regional office for Latin America and the Caribbean, with resultant savings in posts. The regional support centre in Singapore now has the additional responsibilities of servicing National Committees for UNICEF in the region (Australia, New Zealand, the Republic of Korea and Hong Kong).

3. PSD is improving its work methods and clarifying its role and responsibilities as well as those of its key partners, the National Committees. The concept of brand management, introduced in the past year, is already producing an increased understanding that whether through product sales or appeals to the general public, the UNICEF "brand" is being leveraged. Through this approach, PSD is gradually achieving the integration of card and product sales with fund-raising campaigns, leveraging the database and direct mail resources and ensuring a more strategic approach to revenue generation.

4. In response to Executive Board decision 1998/5, and to facilitate the measurement of performance by revenue-generating activity, PSD has presented table 1A, in which revenues are shown separately for product sales and for private sector fund-raising. While all direct expenses related to those activities are charged directly, all other expenses, including support services (Director's Office, Operations and Finance), are allocated based on the percentage of support provided to each activity.

5. In the area of product sales, the projected sales volume for 1999 is 165 million cards and gross proceeds for the same period are projected at $158.4 million. This is an increase over 1998 latest estimates of 8 million in sales volume and $12.7 million in gross proceeds. The net operating income from product sales (before the Market Development Programme (MDP) and the Central and Eastern European National Committees Development Programme) for 1999 is projected at $63.4 million, compared to the 1998 latest estimates of $52.3 million.

6. In the area of private sector fund-raising, the net operating income (before the Fund-raising Development Programme (FDP)) for general resources, is projected at $145.1 million, compared to the 1998 latest estimates of $138.3 million. In addition, for 1999, $115.7 million of supplementary funds income are projected, compared to the 1998 latest estimates of $89.3 million.

7. The total consolidated income from both revenue-generating activities (after MDP, FDP and the Central and Eastern European National Committees Development Programme) for 1999 is projected at $311.2 million, compared to the 1998 latest estimates of $269.5 million.

8. As required by the Executive Board (E/ICEF/1997/12/Rev.1, decision 1997/14), due to the projected decrease in 1998 net proceeds, PSD has reduced its expenditures for 1998 to $86.2 million (see table 2), which is below the approved low projection.

B. Policy issues

9. PSD proposes the review and approval of the following policy issues:

(a) **MDP**. For 1999, PSD proposes to continue MDP with a budget of $4.0 million ($1.2 million more than the 1998 approved budget). Investments for 1999 will be focused on key markets with projects providing high rates of return;

(b) **FDP**. For 1999, PSD proposes to continue FDP with a budget of $8.5 million ($0.7 million more than the 1998 approved budget), with continued focus on the key markets of France, Germany, Japan, the United Kingdom and the United States of America;

(c) **Advance authorization to print cards and acquire products for the following fiscal year**. Because of the PSD business cycle, production timing and international distribution, PSD starts producing and purchasing products approximately six months before the actual sales campaign. In this respect, the Executive Director requests the advance authorization of the Executive Board to incur expenditures related to the cost of goods delivered for the following year;

(d) **Central and Eastern European National Committees Development Programme**. In 1992, the Executive Board approved a three-year Central and Eastern European National Committees Development Programme to assist National Committees in covering management costs and developing structures that would enable them to raise awareness for general advocacy, sales network expansion and donor constituency-building (E/ICEF/1992/AB/L.6 and E/ICEF/1992/14, decision 1992/40). The initial investment was supplemented by 100 per cent retention for three years, followed by gradually decreasing retention to 25 per cent in 1998.

10. Following a review of the nine National Committees in this region, it was noted that they are not yet in a position to carry out their activities with the regular 25 per cent retention. Therefore, it is recommended that the development of these National Committees continues to be supported for an additional three years, i.e., 1999-2001. During this period, they will be allowed to retain 50 per cent of their product sales revenue (an additional 25 per cent). This additional retention would then be available to assist them in building their customer databases to sustainable levels and in helping them increase their business. For 1999, the additional retention is estimated at $0.5 million. In addition, the capacity of these National Committees will be analysed carefully and priorities will be established for each of them for the next three years.

C. Consolidated income and expenditure projections for 1999

11. As indicated in table 1, the PSD net consolidated income for 1999 is projected at $311.2 million ($195.5 million for general resources and $115.7 million for supplementary funds), an increase of $41.7 million (15.5 per cent) over the 1998 latest estimates. The net consolidated income – general resources - of $195.5 million comprises net operating income from product sales of $63.4 million, net operating income from private sector fund-raising of

$145.1 million, offset by the cost of investments in MDP, FDP and the Central and Eastern European National Committees Development Programme of $13.0 million.

12. Consolidated expenditures for 1999 as summarized in table 2 are projected at $88.8 million, an increase of $2.6 million (3.0 per cent) over the 1998 latest estimates, but $2.4 million below the 1998 approved budget. This total increase over the 1998 latest estimates is attributable to investment funds essential for building consumer and donor databases and to support both short- and long-term revenue generation capacities of our partners. At the same time, PSD operating costs are being closely monitored and for 1999 are being maintained at the 1998 latest estimates level.

D. Human resources

13. In the international Professional category of posts, in order to use the available human resources in the operations support area more effectively, it is requested to reinstate an international Professional post of production officer at the L-3 level offset by the abolishment of a P-4 post of logistics officer at the PSD Regional Office in Geneva. At the same time, in the marketing services area, with the increased emphasis on international sales promotion, including corporate partnerships and relationships with UNICEF Goodwill Ambassadors, a post of assistant international sales promotion officer at the L-2 level at the PSD Regional Office in Geneva is proposed, offset by the abolishment of an L-2 assistant marketing services officer at the PSD Regional Office in New York. It is also requested to establish a post of systems analyst at the L-4 level at PSD headquarters in New York to strengthen the area of information technology with special focus on implementation, maintenance and expansion of the new Financial and Logistics System (FLS). With the above changes, the total number of PSD international Professional posts will increase by one to 79.

14. Proposed changes in the category of national Professional posts are as follows:

(a) Two posts in the area of business analysis at the PSD regional centres will be abolished in 1999. This is made possible with the ongoing implementation of new information systems within UNICEF and the reallocation of the tasks within the existing structures;

(b) Starting from 1999, UNICEF cards and products in a number of countries will be distributed through the third party arrangements, resulting in the abolition of one national Professional post;

(c) Therefore, the total number of posts in this category will be reduced in 1999 by three to 23.

15. It is also proposed to decrease the total number of posts in the General Service category by two to 122. This becomes possible due to the implementation of the third party arrangements in the distribution of UNICEF cards and products in a number of UNICEF field offices.

Table 1. Private Sector Division income statement - 1997 actual, 1998 approved budget, 1998 latest estimates and 1999 proposed budget

(In millions of United States dollars)

	1997 Actual a/ b/	%	1998 Budget b/	%	1998 Latest estimates	%	1999 Proposed b/	%	Variance 1999 vs. 1998 Latest estimates $	Variance 1999 vs. 1998 Latest estimates %
Gross proceeds - product sales	147.1		160.4		145.7		158.4		12.7	8.7
Less: Retention/commissions and direct expenses at field offices	36.6	24.9	40.6	25.3	37.3	25.6	40.2	25.4	2.9	7.8
Net proceeds - product sales	110.5		119.8		108.4		118.2		9.8	9.0
Less: Cost of goods delivered	30.8	20.9	38.4	23.9	35.3	24.2	35.4	22.3	0.1	0.3
Operating expenses	15.0	10.2	28.9	18.0	26.6	18.3	25.2	15.9	(1.4)	(5.3)
Provision for doubtful accounts	1.0		-		0.4		0.5		0.1	25.0
Add: Other income	1.1		7.5		6.2		6.3		0.1	1.6
Net operating income - PSD products	64.8	44.1	60.0	37.4	52.3	35.9	63.4	40.0	11.1	21.2
Net operating income - Private sector fund-raising	37.5		130.6		138.3		145.1		6.8	4.9
Less: Other charges										
Market Development Programme	2.3		2.8		2.8		4.0		1.2	42.9
Fund-raising Development Programme	6.1		7.8		7.5		8.5		1.0	13.3
Central and Eastern European National Committees Development Programme	0.4		0.1		0.1		0.5		0.4	400.0
Net operating income	93.5		179.9		180.2		195.5		15.3	8.5
Less: Exchange rate adjustment	1.9									
Prior years' adjustments (gain)	(1.9)									
Net income - general resources	93.5		179.9		180.2		195.5		15.3	8.5
Add: PSFR supplementary funds	64.2		115.8		89.3		115.7		26.4	29.6
Net consolidated income	157.7		295.7		269.5		311.2		41.7	15.5
										%
Card sales volume (millions)	*147*		*165*		*157*		*165*		*8*	5.1

PSFR=Private sector fund-raising.

a/ Due to a change in the PSD fiscal year, 1997 covers the eight-month period 1 May -31 December 1997.
b/ The comparative figures for 1997 and 1998 were restated to conform with the 1999 presentation.

E/ICEF/1999/AB/L.5

Table 1A. Net income after allocation of operating expenses by revenue-generating activity - 1997 actual, 1998 approved budget, 1998 latest estimates and 1999 proposed budget
Management statement - Supporting table 1

(In millions of United States dollars)

	1997 Actual a/ b/			1998 Budget b/			1998 Latest estimates			1999 Proposed b/		
	Product sales	Private sector fund-raising	Total	Product sales	Private sector fund-raising	Total	Product sales	Private sector fund-raising	Total	Product sales	Private sector fund-raising	Total
Gross proceeds	147.1		147.1	160.4		160.4	145.7		145.7	158.4		158.4
Less: Retention/commissions and direct expenses at field offices	36.6	-	36.6	40.6		40.6	37.3		37.3	40.2		40.2
Net proceeds	110.5	43.1	153.6	119.8	140.0	259.8	108.4	146.1	254.5	118.2	153.6	271.8
Less: Cost of goods delivered	30.8		30.8	38.4		38.4	35.3		35.3	35.4		35.4
	79.7	43.1	122.8	81.4	140.0	221.4	73.1	146.1	219.2	82.8	153.6	236.4
Less: Marketing expenses	5.2	5.6	10.8	9.4	9.4	18.8	8.4	7.8	16.2	8.6	8.5	17.1
	74.5	37.5	112.0	72.0	130.6	202.6	64.7	138.3	203.0	74.2	145.1	219.3
Less: Support services	6.7	3.1	9.8	13.6	5.9	19.5	12.7	5.5	18.2	11.8	4.8	16.6
Provision for doubtful accounts	1.0		1.0				0.4		0.4	0.5		0.5
	66.8	34.4	101.2	58.4	124.7	183.1	51.6	132.8	184.4	61.9	140.3	202.2
Add: Other income	1.1		1.1	7.5		7.5	6.2		6.2	6.3		6.3
Net operating income before other charges	67.9	34.4	102.3	65.9	124.7	190.6	57.8	132.8	190.6	68.2	140.3	208.5
Less: Other charges												
Market Development Programme	2.3		2.3	2.8		2.8	2.8		2.8	4.0		4.0
Fund-rasing Development Programme		6.1	6.1		7.8	7.8		7.5	7.5		8.5	8.5
Central and Eastern European National Development Programme	0.4		0.4	0.1		0.1	0.1		0.1	0.5		0.5
Net operating income	65.2	28.3	93.5	63.0	116.9	179.9	54.9	125.3	180.2	63.7	131.8	195.5
Less: Exchange rate adjustment	1.3	0.6	1.9									
Prior years' adjustments (gain)	(0.4)	(1.5)	(1.9)									
Net income	64.3	29.2	93.5	63.0	116.9	179.9	54.9	125.3	180.2	63.7	131.8	195.5
Add: Supplementary funds		64.2	64.2		115.8	115.8		89.3	89.3		115.7	115.7
Net consolidated income	64.3	93.4	157.7	63.0	232.7	295.7	54.9	214.6	269.5	63.7	247.5	311.2

a/ Due to a change in the PSD fiscal year, 1997 covers the eight-month period 1 May -31 December 1997.

b/ The comparative figures for 1997 and 1998 were restated to conform with the 1999 presentation.

Table 2. Summary of expenditures -

1997 approved budget, 1997 actual, 1998 approved budget, 1998 latest estimates and 1999 proposed budget

	1997 Approved budget a/ b/	1997 Actual a/	1998 Approved budget	1998 Latest estimates	1999 Proposed	Variance 1999 vs. 1998 Latest estimates	
						$	%
MARKETING							
Commissions - field offices	2.5	2.3	2.3	2.1	2.5	0.4	19.0
Cost of goods delivered	38.3	30.8	38.4	35.3	35.4	0.1	0.3
Operating expenses	17.0	15.0	22.7	20.2	21.3	1.1	5.4
Subtotal	57.8	48.1	63.4	57.6	59.2	1.6	2.8
SUPPORT SERVICES							
Operating expenses	13.5	9.8	19.5	18.2	16.6	(1.6)	(8.8)
NON-OPERATING EXPENSES							
Market Development Programme	3.0	2.3	2.8	2.8	4.0	1.2	42.9
Fund-raising Development Programme	7.8	6.1	7.8	7.5	8.5	1.0	13.3
Central and Eastern European National Committees Development Programme	0.6	0.4	0.1	0.1	0.5	0.4	400.0
Subtotal	11.4	8.8	10.7	10.4	13.0	2.6	25.0
TOTAL EXPENDITURES	82.7	66.7	93.6	86.2	88.8	2.6	3.0

a/ Due to a change in the PSD fiscal year, 1997 covers the eight-month period 1 May -31 December 1997.

b/ In accordance with Executive Board decision 1997/14, paragraph 2, these amounts reflect the low projection budget.

16. Regrading is requested for the following posts:

(a) Brand development officer, Geneva. This post is responsible for an important and large cluster of markets, inclusive of support for product sales and private sector fund-raising activities. Therefore, it is essential to have a person with the requisite strong marketing background. It is requested to upgrade this post from the L-3 to the L-4 level;

(b) Business and financial analyst. In addition to providing the financial analysis support, this post will also be responsible for providing the ongoing interface between users and the systems analyst in the implementation of the UNICEF integrated systems. It is requested, therefore, that this post be upgraded from the P-3 to the P-4 level;

(c) Due to further reassignment of functions, it is requested that the post of senior brand development officer be downgraded from the L-5 to the L-4 level.

17. As a result of the above changes, the total number of PSD posts in 1999 will decrease by four to 224, comprising 79 international Professional, 23 national Professional and 122 General Service.

II. Marketing

A. Introduction

18. For 1999, PSD plans to continue its focus on key markets. With the reduction of service to field offices with minimal income history and potential, PSD will have at its disposal more of the resources necessary to concentrate on markets with the highest potential. The integrated brand management approach means that PSD now has teams targeted at specific clusters of markets, thus facilitating the development of PSD expertise and service capacity in particular regions. These teams will be able to respond immediately and take advantage of changes in market opportunities.

B. 1999 objectives

19. The objectives of Marketing are to achieve (tables 1 and 1A):

(a) Card sales volume of 165 million cards;

(b) Gross proceeds from product sales of $158.4 million;

(c) Net proceeds from UNICEF private sector fund-raising activities of $269.3 million (general resources of $153.6 million and supplementary funds of $115.7 million);

(d) Net operating income of $195.5 million for general resources.

C. 1999 strategies

20. With the new structure in place and the focus on key markets, PSD strategies for 1999 are the following:

(a) With the strategic and discriminating use of investment funds, PSD intends to continue to focus on capacity-building in National Committees and priority field offices, helping to test new market strategies and rolling out the successful ones to other markets;

(b) Joint work planning with National Committees and other partners, in conjunction with increased communication between PSD and partners, continues to be a key strategy to provide support and information on a timely basis. This should result in improved customer service and better sales forecasting;

(c) The institution of a shortened production calendar, effective for the 1999 campaigns, will support reduced time to market and "just-in-time" production to improve distribution ratios, reduce inventory build-up and lead to a more efficient use of scarce financial resources;

(d) The utilization of improved production sourcing methods, including the increased use of off-the-shelf products, making the necessary tie-in to the UNICEF image and themes, but ensuring that margin requirements are met;

(e) The Nordic Study noted a substantial visible focus in these markets on private sector fund-raising and recommended that PSD seize the opportunity now to invest in these markets to develop house lists that will allow a basis for generating sustainable income. Therefore, PSD will support the recommended establishment of a centralized marketing support structure for all four Nordic markets. Substantial UNICEF investment over a period of time will be needed to assist these four National Committees to achieve income levels which make them self-sustaining. The investments will be used for structural improvements in organizational and marketing executional strengths, UNICEF awareness and donor recruitment campaigns, as well as for harmonized sales promotional strategies and programmes among the markets.

D. Market Development Programme

21. In 1998, a total of 36 projects were approved for funding from MDP. Projects were submitted by 16 National Committees. The financial investment of PSD in these projects at 30 September 1998 was already at the approved budgeted level of $2.8 million.

22. For the 1999 work plan, MDP funding of $4.0 million is proposed. The usefulness of these investment funds to National Committees, which, at the minimum, match the UNICEF investment, is now being capitalized by the partners. These funds are essential to support National Committee initiatives which could not be implemented otherwise. For this reason, there is a request for an increased budget for 1999. These investments will continue to support building consumer awareness of UNICEF cards and products through advertising and telemarketing campaigns, and the optimization of databases with a focus on the corporate sector.

E. Fund-raising Development Programme

23. For the 1998 fiscal period, the Executive Board approved $7.8 million for FDP. As of 30 September 1998, $5.4 million had already been committed, with applications in the approval process amounting to $2.1 million. Eleven National Committees and five UNICEF field offices benefited from FDP support in 1998.

24. Based on the encouraging results from FDP investments to date, PSD proposes a budget of $8.5 million for 1999. This will facilitate the funding opportunities for increasing donor constituencies of partners which may not be implementable without FDP support. The increased funds will also be used to support a key strategy of the Nordic markets to provide them with the necessary resources to support the marketing initiatives recommended by the recently concluded study of their markets. These investments will be essential for these markets over the next three to four years.

F. Central and Eastern European National Committees Development Programme

25. The nine countries under the Central and Eastern European National_Committees Development Programme project sales of 8.8 million cards and $3.9 million in gross proceeds for 1998. For 1999, objectives include card sales of 9.4 million (an increase of 6.8 per cent over 1998 latest estimates) and gross proceeds of $4.4 million (an increase of 12.8 per cent over the 1998 latest estimates).

G. Analysis of 1999 proposed budget

26. Gross proceeds from product sales for 1999 are projected to range from a low of $155.0 million to a high of $161.5 million (see table 7). The medium projection is $158.4 million, an increase of $12.7 million (8.7 per cent) over the 1998 latest estimates.

27. Sales volume for 1999 is projected at 165 million cards, an increase of 8 million cards (5.1 per cent) over the 1998 latest estimates.

28. Net proceeds from product sales for 1999 are projected at $118.2 million, $9.8 million (9.0 per cent) higher than the 1998 latest estimates, after taking into account the amounts retained by National Committees, commissions paid to consignees and direct expenses at UNICEF field offices ($40.2 million).

29. Other income for 1999 is projected at $6.3 million ($0.1 million higher than the 1998 latest estimates). This includes royalties from the sale of licensed products, donations generated from brochures and order forms, bank interest and discount on purchases.

30. Net proceeds from UNICEF private sector fund-raising activities for 1999 are projected at $268.9 million, of which $153.6 million are for general resources and $115.3 million for supplementary funds (net of house list - appeal costs).

Table 3. Marketing: operating expenses for 1997, 1998 approved budget, 1998 latest estimates and 1999 proposed budget

(In thousands of United States dollars)

Expenditures	1997 Actual a/	1998 Approved budget	1998 Latest estimates	1999 Proposed budget	Changes 1999 vs. 1998 Latest estimates $	Changes 1999 vs. 1998 Latest estimates %
Variable staff costs b/	240	505	412	324	(88)	(21.4)
Variable non-staff costs c/	636	1,254	1,314	1,347	33	2.5
Fixed staff costs	4,144	7,778	6,427	6,595	168	2.6
Fixed non-staff costs d/	524	817	672	746	74	11.0
Research and development	2,724	3,122	2,737	3,010	273	10.0
Field office expenses	4,756	7,028	6,398	6,793	395	6.2
Regional support centre expenses	998	2,175	1,890	2,004	114	6.0
Provision for doubtful accounts	969	-	400	500	100	25.0
Total expenses	14,991	22,679	20,250	21,319	1,069	5.3

a/ Due to a change in the GCO fiscal year, 1997 covers the eight-month period 1 May-31 December 1997.
b/ Short-term assistance, staff training, overtime.
c/ Travel, communications, office equipment,computer equipment and maintenance, programme materials.
d/ Office rent and maintenance.

31. Total operating expenses for the Marketing Group in 1999 are projected at $21.3 million (see table 3), an increase of $1.1 million (5.3 per cent) when compared to the 1998 latest estimates. Of this increase, $0.5 million are attributable to higher expenses at field offices and regional support centres resulting from increased investments in support of planned regional initiatives (the Southern Cone and Gulf markets - to increase revenues and exploit untapped potential), $0.3 million to higher investments in research and development, $0.2 million to higher staff costs after all vacant posts established in 1998 are filled and $0.1 to provide for doubtful accounts.

III. Support services

A. Introduction

32. This group provides support to PSD income-generating activities. It includes the costs of the Director's Office, Operations, Finance and Management Information Systems. Priorities for this group include:

(a) The successful migration to and implementation of the new enterprise-wide FLS at headquarters and the Programme manager System (PROMS) in PSD priority countries in the field. This includes the revision of related work processes, rules and regulations, and updating of procedures to strengthen internal controls;

(b) Finalization of corporate alliances guidelines to guide and assist National Committees, field offices and headquarters divisions in their selection of and negotiation with corporate partners for alliances resulting in cash or kind contributions to UNICEF;

(c) With the introduction of the revised calendar, resulting in a shorter time to market, to further improve service delivery to partners in a more cost-efficient manner;

(d) In conjunction with the Geneva Regional Office, using the planning process currently being finalized, to initiate joint work planning with selected National Committees.

B. 1999 objectives

33. The objectives of Support Services are:

(a) To provide financial, operational and information support to management and other functional groups within PSD;

(b) To further improve customer service to PSD partners in a cost-efficient manner;

(c) To redesign PSD work processes with the implementation of the Systems, Applications, Products in Data Processing (SAP) and PROMS, and to update and document procedural changes.

Table 4. Support Services - operating expenses for 1997, 1998 approved budget, 1998 latest estimates and 1999 proposed budget

(In thousands of United States dollars)

Expenditures	1997 Actual a/	1998 Approved budget	1998 Latest estimates	1999 Proposed budget	Changes 1999 vs. 1998 Latest estimates	
					$	%
Variable staff costs b/	601	1,724	1,695	1,222	(473)	(27.9)
Variable non-staff costs c/	1,429	3,882	3,872	2,644	(1,228)	(31.7)
Fixed staff costs	5,339	9,838	8,706	9,315	609	7.0
Fixed non-staff costs d/	1,644	2,665	2,653	2,473	(180)	(6.8)
Research and development	-	12	12	12	-	-
Regional support centre expenses	760	1,340	1,270	955	(315)	(24.8)
Total expenses	9,773	19,461	18,208	16,621	(1,587)	(8.7)

a/ Due to a change in the GCO fiscal year, 1997 covers the eight-month period 1 May-31 December 1997.
b/ Short term assistance, staff training, overtime.
c/ Travel, communications, office equipment,computer equipment and maintenance.
d/ Office rent and maintenance.

C. 1999 strategies

34. The strategies to achieve the above objectives are:

(a) To provide staff with training and support documentation in the implementation of the new systems and work processes;

(b) Based on quarterly reports from key markets, to analyse and compare actual results against plan and advise management with timely information;

(c) To implement the new work planning calendar and, jointly with the UNICEF Geneva Regional Office, initiate work planning with National Committees;

(d) To provide financial analysis of PSD marketing strategies to support management decision-making.

D. Analysis of 1999 proposed budget

35. Total expenses for the Support Services are projected at $16.6 million, a decrease of $1.6 million (8.7 per cent) when compared to the 1998 latest estimates. This decrease is due primarily to the one-time allocation in 1998 of the PSD share in the investment costs related to implementation of the integrated FLS project. The only area where Support Services will show an increase in 1999 is staff costs (by $0.1 million). This is attributable to the net increase by one international Professional and one General Service post in the area of information systems support, as well as to the vacancy factor in 1998.

IV. Regional support centres and UNICEF field offices

A. Introduction

36. Gross proceeds generated by UNICEF field offices from PSD activities in 1998 are projected at $31.4 million, with costs estimated at $16.0 million (excluding FDP), resulting in a net operating income of $15.4 million (including other income of $0.1 million).

37. Based on the established criteria for priority country status, 13 countries are in the category of "priority country". Following an internal review process, it was decided that PSD will focus only on high potential markets while phasing out activities in 75 countries in 1999. Traditional customers in the countries in which UNICEF will no longer be selling directly will have the opportunity to buy their cards and products from an international third party gift product catalogue which is being tested in 1998.

B. 1999 objectives

38. The objectives are:

(a) To provide support, assistance and training to priority countries in Latin America and Asia and National Committees in Australia, Hong Kong, the Republic of Korea and New Zealand in technical aspects of PSD-related activities;

(b) To achieve:

(i) Card sales of 25.6 million;

(ii) Gross proceeds of $20.6 million from product sales and $15.8 million from private sector fund-raising.

C. 1999 strategies

39. The strategies to achieve the above objectives are:

(a) To develop a regional brand strategy, encompassing both product sales and private sector fund-raising activities, with a focus on maximizing use and developing databases with a focus on the corporate sector;

(b) To support the review and approval of corporate partnership proposals, ensuring that they are within established guidelines;

(c) To provide support and monitor implementation of the 1999 work plan and budget;

(d) To implement PROMS and a new point of sale system, with strengthened internal controls and updated procedures to facilitate closer monitoring of income and expenditures;

(e) To organize regional workshops jointly for product sales and private sector fund-raising activities to review 1998 results, establish strategies, provide training and support to achieve 1999 objectives.

D. Analysis of 1999 proposed budget

40. For 1999, UNICEF field offices are projected to generate $36.4 million in gross proceeds, an increase of $5.0 million (15.9 per cent) over the 1998 latest estimates (see table 5). This increase is attributable to higher proceeds from both product sales (by $2.8 million) and private sector fund-raising (by $2.2 million).

41. In product sales, card sales volume is projected to increase to 25.6 million cards in 1999, an increase of 1.8 million cards, or 7.6 per cent over the 1998 latest estimates. This is due to the focus on the key markets as well as higher penetration into markets such as China and the Gulf region.

42. Total operating expenses for UNICEF field offices and the PSD regional support centres are projected at $9.8 million for 1999, an increase of $0.2 million, or 2.0 per cent over the 1998 latest estimates due mainly to increased investments funds in support of initiatives in the Southern Cone and the Gulf markets.

Table 5. Regional support centres and UNICEF field offices : income and expenditures for 1997 actual, 1998 approved budget, 1998 latest estimates and 1999 proposed budget

(In thousands of United States dollars)

	1997 Actual a/	1998 Approved budget	1998 Latest estimates				1999 Proposed budget				Changes 1999 vs. 1998 Latest estimates	
			PLM	PSFR	O&F	Total	PLM	PSFR	O&F	Total	$	%
Volume of card sales	24,208	26,240	23,796	-	-	23,796	25,599	-	-	25,599	1,803	7.6
Gross proceeds (GR + SF)	30,497	42,061	17,810	13,637		31,447	20,639	15,796		36,435	4,988	15.9
Less: Commissions paid to consignees	2,305	2,320	2,072	-		2,072	2,467	-		2,467	395	19.1
Net proceeds	28,192	39,741	15,738	13,637	-	29,375	18,172	15,796	-	33,968	4,593	15.6
Costs of goods delivered	4,949	5,659	4,576			4,576	5,162			5,162	586	12.8
Operating expenses:												
Variable selling costs - field offices b/	584	625	596			596	626			626	30	5.0
Variable staff costs c/	878	1,110	838	447	75	1,360	718	435	35	1,188	(172)	(12.6)
Variable non-staff costs d/	846	1,157	586	384	162	1,132	571	409	283	1,263	131	11.6
Fixed staff costs	2,401	4,633	1,698	1,227	984	3,909	1,682	1,306	607	3,595	(314)	(8.0)
Fixed non-staff costs e/	383	696	416	198	49	663	306	45	30	381	(282)	(42.5)
Research and development	1,163	1,530	402	1,001	-	1,403	791	1,431	-	2,222	819	58.4
PSFR house list - appeal costs	259	792		495		495		477		477	(18)	(3.6)
Bad debts	543					-				-		
Total operating expenses	7,057	10,543	4,536	3,752	1,270	9,558	4,694	4,103	955	9,752	194	2.0
Other income	117	158	154	-	-	154	158	-	-	158	4	2.6
Net operating income before FDP	16,303	23,697	6,780	9,885	(1,270)	15,395	8,474	11,693	(955)	19,212	3,817	24.8
Percentage of gross proceeds	53.5	56.3	38.1	72.5		49.0	41.1	74.0		52.7		
Less: FDP	877	1,435	-	438	-	438	-	830	-	830	392	89.5
Net operating income after FDP	15,426	22,262	6,780	9,447	(1,270)	14,957	8,474	10,863	(955)	18,382	3,425	22.9
Percentage of gross proceeds	50.6	52.9	38.1	69.3		47.6	41.1	68.8		50.5		
Summary of expenditures:												
Commissions	2,305	2,320	2,072	-	-	2,072	2,467	-	-	2,467	395	19.1
Cost of goods delivered	4,949	5,659	4,576	-	-	4,576	5,162	-	-	5,162	586	12.8
Total operating expenses (variable costs, fixed costs, research and development)	7,057	10,543	4,536	3,752	1,270	9,558	4,694	4,103	955	9,752	194	2.0

PLM = Product Line and Marketing; PSFR = Private Sector Fund-raising; O&F = Operations and Finance; GR = general resources; SF = supplementary funds; FDP = Fund-raising Development Programme.

a/ Due to a change in the GCO fiscal year, 1997 covers the eight-month period 1 May-31 December 1997.

b/ Freight-internal, storage, direct mail , promotional materials.

c/ Short-term assistance, staff training, overtime.

d/ Travel, communications, office equipment, computer equipment and maintenance.

e/ Office rent and maintenance, depreciation.

43. For 1999, the net operating income from UNICEF field offices from both product sales and private sector fund-raising activities (excluding FDP) is projected at $19.2 million, an increase of $3.8 million, or 24.8 per cent over the 1998 latest estimates. This increase is a result of a higher net operating income from both product sales ($1.7 million) and private sector fund-raising ($1.8 million) and lower operating costs of the Operations and Finance Group of $0.3 million.

V. Medium-term plan, 1999-2003

44. Table 6 presents the medium-term plan for PSD for the period 1999-2003. This plan is based on the market trends, previous years' financial results and strategic plans developed and implemented in cooperation with National Committees and UNICEF field offices in PSD priority countries.

45. PSD objectives, as per the medium-term plan, are to achieve by 2003:

(a) Card sales volume of 195 million cards;

(b) Gross proceeds from product sales of $195.0 million;

(c) Net operating income from private sector fund-raising activities of $194.0 million for general resources;

(d) Net income from private sector fund-raising activities of $115.0 million for supplementary funds;

(e) Net consolidated income for UNICEF from the private sector of $370.0 million, comprising $255.0 million in general resources and $115.0 million for supplementary funds.

Table 6. Private Sector Division medium-term plan: 1997 actual, 1998 budget, 1998 latest estimates, 1999 proposed and 2000-2003

(In millions of United States dollars)

	1997 Actual a/	1998 Budget	1998 Latest estimates	1999 Proposed	2000	2001	2002	2003
					Medium-term projections			
Gross proceeds - product sales	147.1	160.4	145.7	158.4	165.0	175.0	185.0	195.0
Less: Retention/commissions and direct expenses at field offices	36.6	40.6	37.3	40.2	41.9	44.1	46.6	49.1
Net proceeds - product sales	110.5	119.8	108.4	118.2	123.1	130.9	138.4	145.9
Less: Cost of goods delivered	30.8	38.4	35.3	35.4	37.1	39.0	41.0	43.1
Operating expenses	15.0	29.7	27.3	25.2	27.3	28.9	30.5	32.2
Provision for doubtful accounts	1.0	-	0.4	0.5	0.5	0.5	0.6	0.6
Add: Other income	1.1	7.5	6.2	6.3	6.5	6.5	6.5	6.5
Net operating income - PSD products	64.8	59.2	51.6	63.4	64.7	69.0	72.8	76.5
Net operating income - Private sector fund-raising	37.5	131.4	139.0	145.1	162.0	174.0	184.0	194.0
Less: Other charges								
Market Development Programme	2.3	2.8	2.8	4.0	4.5	4.5	4.5	4.5
Fund-raising Development Programme	6.1	7.8	7.5	8.5	9.5	10.0	10.5	11.0
Central and Eastern European National Committees Development Programme	0.4	0.1	0.1	0.5	0.6	0.6	-	-
Net operating income	**93.5**	**179.9**	**180.2**	**195.5**	**212.1**	**227.9**	**241.8**	**255.0**
Less: Exchange rate adjustment	**1.9**							
Prior years' adjustments (gain)	**(1.9)**							
Net income - general resources	**93.5**	**179.9**	**180.2**	**195.5**	**212.1**	**227.9**	**241.8**	**255.0**
Add: PSFR supplementary funds	**64.2**	**115.8**	**89.3**	**115.7**	**115.0**	**110.0**	**110.0**	**115.0**
Net consolidated income	**157.7**	**295.7**	**269.5**	**311.2**	**327.1**	**337.9**	**351.8**	**370.0**
Card sales volume (millions)	**147**	***165***	***157***	***165***	***172***	**180**	**188**	**195**

a/ 1997 is a eight-month period from 1 May to 31 December 1997.

Table 7. Range of budgeted income and expenditures for the fiscal year 1 January - 31 December 1999

(In millions of United States dollars)

	I Low projection	II Medium projection	III High projection
Budgeted income			
Gross proceeds - product sales	155.0	158.4	161.5
Deduct: National Committees' retention a/	33.3	34.0	34.7
Net proceeds	121.7	124.4	126.8
Add: Other income - net (table 1A)	5.3	6.3	6.9
Net proceeds - product sales	127.0	130.7	133.7
Private sector fund-raising - general resources (table 1A)	146.2	153.6	161.0
Total net proceeds - general resources	273.2	284.3	294.7
Budgeted expenditures			
Commissions - field offices	2.4	2.5	2.6
Cost of goods delivered	34.5	35.4	36.3
Marketing expenditures	20.7	21.3	21.8
Support Services	16.2	16.6	17.0
Market Development Programme	4.0	4.0	4.0
Fund-raising Development Programme	8.5	8.5	8.5
Central and Eastern European National Committees Development Programme	0.4	0.5	0.5
Total expenditures - consolidated (table 2)	86.7	88.8	90.7
Net consolidated income - general resources (table 1)	186.5	195.5	204.0
Add: Supplementary funds - private sector fund-raising (table 1)	110.0	115.7	121.0
Net consolidated income - general resources and supplementary funds	296.5	311.2	325.0

a/ Excludes field office commissions - budgeted in expenditures.

VI. Draft resolutions

46. The draft resolutions for Executive Board approval relating to the PSD budget for 1999 are presented below.

A. Private Sector Division budgeted expenditures for the 1999 season

The Executive Board

1. *Approves* for the fiscal year 1 January to 31 December 1999 budgeted expenditures of $88.8 million as detailed below and summarized in column II of table 7 to document E/ICEF/1999/AB/L.5:

	(In millions of United States dollars)
Commissions - field offices	2.5
Cost of goods delivered	35.4
Marketing expenditures	21.3
Support Services	16.6
Market Development Programme	4.0
Fund-raising Development Programme	8.5
Central and Eastern European National Committees Development Programme	0.5
Total expenditures, consolidated a/	88.8

a/ For details, see table 2.

2. *Authorizes* the Executive Director:

(a) To incur expenditures as summarized in column II of table 7 to document E/ICEF/1999/AB/L.5 and to increase the expenditures up to the level indicated in column III of the same table should the apparent proceeds from product sales and/or private sector fund-raising increase to the levels indicated in column III, and accordingly, to reduce expenditures below the level indicated in column II to the extent necessary, should the net proceeds decrease;

(b) To redeploy resources between the various budget lines (as detailed in paragraph 1 above) up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 1999 approved work plan.

B. Budgeted income for the 1999 season

The Executive Board

Notes that for the period 1 January to 31 December 1999, PSD net proceeds are budgeted at $284.3 million (general resources) as shown in column II of table 7 to document E/ICEF/1999/AB/L.5.

C. Policy issues

The Executive Board

1. *Approves* the changes in posts with a net decrease of four posts as indicated in annexes I and III to document E/ICEF/1999/AB/L.5;

2. *Renews* MDP with $4.0 million established for 1999;

3. *Renews* FDP with $8.5 million established for 1999;

4. *Renews* the Central and Eastern European National Committees Development Programme, which includes nine countries, with a budget of $0.5 million established for 1999;

5. *Authorizes* the Executive Director to incur expenditures in the 1999 fiscal period related to the cost of goods delivered (production/purchase of raw materials, cards and other products) for the 2000 fiscal year up to $37.1 million as indicated in the PSD medium-term plan (see table 6 of document E/ICEF/1999/AB/L.5).

D. Medium-term plan

The Executive Board

1. *Approves* the PSD medium-term plan.

Annex I

PRIVATE SECTOR DIVISION
SUMMARY OF POST CHANGES

Detail	Posts level							Total IP	NO	GS	Grand total
	D2/L7	D1/L6	P5/L5	P4/L4	P3/L3	P2/L2	P1/L1				
Base PAT 1998	1	3	14	23	30	7	0	78	26	124	228
Establish and abolish											
Marketing					1			1			1
Support Services								0		1	1
RSCs and UNICEF field offices								0	-3	-3	-6
Total change, PSD	0	0	0	0	1	0	0	1	-3	-2	-4
Reclassifications, PSD											
Marketing			-1	2	-1			0			
Support Services				1	-1			0			0
Total reclassification, PSD	0	0	-1	3	-2	0	0	0	0	0	0
Total change and reclassification	0	0	-1	3	-1	0	0	1	-3	-2	-4
Total, Proposed 1999	1	3	13	26	29	7	0	79	23	122	224

GS = General Service; IP = international Professional; NO = national officer;
PAT = post authorization table; RSCs = regional support centres.

Annex II

PRIVATE SECTOR DIVISION

DETAILS OF 1999 PROPOSED INTERNATIONAL PROFESSIONAL POST CHANGES (ESTABLISH/ABOLISH)

Post number	Duty station	Post title	Functional group	Level	Type of action	Count
10111	GE	Production Officer	Support Services	L-3	Establish	1
PSD001	NY	Systems Analyst	Support Services	L-4	Establish	1
4267	GE	Logistics Officer	Support Services	P-4	Abolish	-1
GCO9897	NY	Assistant Marketing Services Officer	Marketing	L-2	Abolish	-1
14610	GE	Assistant International Sales Promotion Officer	Marketing	L-2	Establish	1
Total						1

DETAILS OF 1999 PROPOSED INTERNATIONAL PROFESSIONAL POST RECLASSIFICATIONS

Post number	Duty station	Post title	Functional group	1998 Level	1999 Level
14144	NY	Sr.Brand Development Officer	Marketing	L-5	L-4
4158	NY	Financial Analysis Officer	Support Services	P-3	P-4
14026	GE	Brand Development Officer	Marketing	L-3	L-4
Total					3

Annex III

PRIVATE SECTOR DIVISION
COMPARISON OF POSTS:
1998 APPROVED BUDGET VERSUS 1999 PROPOSED BUDGET

	Posts level							Total			Grand
	D2/L7	D1/L6	P5/L5	P4/L4	P3/L3	P2/L2	P1/L1	IP	NO	GS	total
Marketing											
Approved 1998		2	6	8	12	3		31		30	61
Proposed 1999		2	5	10	11	3		31		30	61
Change	0	0	-1	2	-1	0	0	0	0	0	0
Support Services											
Approved 1998	1	1	6	11	17	4		40		49	89
Proposed 1999	1	1	6	12	17	4		41		50	91
Change	0	0	0	1	0	0	0	1	0	1	2
Total, PSD Headquarters and ROs											
Approved 1998	1	3	12	19	29	7	0	71	0	79	150
Proposed 1999	1	3	11	22	28	7	0	72	0	80	152
Change	0	0	-1	3	-1	0	0	1	0	1	2
RSCs and UNICEF field offices											
Approved 1998			2	4	1			7	26	45	78
Proposed 1999			2	4	1			7	23	42	72
Change	0	0	0	0	0	0	0	0	-3	-3	-6
Total, PSD Headquarters, ROs, RSCs and UNICEF field offices											
Approved 1998	1	3	14	23	30	7	0	78	26	124	228
Proposed 1999	1	3	13	26	29	7	0	79	23	122	224
Change	0	0	-1	3	-1	0	0	1	-3	-2	-4

GS = General Service; IP = international Professional; NO = national officer;
ROs = regional offices
RSCs = regional support centres.